

Message Text

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AMEMBASSY WARSAW
AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
USMISSION USBERLIN
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C O N F I D E N T I A L SECTION 01 OF 02 BERLIN 04739

USDOC FOR BEWT

E.O. 11652: GDS
TAGS: ECON, EAGR, EEWT, GE
SUBJECT: REPORT ON GDR ECONOMY SUGGESTS CONTINUING
- STRAINS

SUMMARY: OFFICIAL REPORTING ON FIRST-HALF 1978
ECONOMIC PLAN FULFILLMENT SUGGESTS CONTINUING STRAINS
IN THE GDR ECONOMY AND DISSATISFACTION ON THE PART
OF THE LEADERSHIP WITH ECONOMIC PERFORMANCE DESPITE
GROWTH RATES THAT ARE NOT BAD BY ABSOLUTE WORLD
STANDARDS. INVESTMENT IS BEING HELD IN BOUNDS
ACCORDING TO PLAN, AND STANDARD OF LIVING GROWTH RATES
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APPEAR TO BE SHADING DOWNWARD. AN UNUSUAL ELEMENT
OF THE REPORT HIGHLIGHTS THE LARGE VOLUME OF TRAVEL
TO, THROUGH, AND FROM THE GDR. END SUMMARY.

1. EMBASSY'S READING OF OFFICIAL REPORT ON FIRST-HALF
1978 ECONOMIC PLAN FULFILLMENT PUBLISHED JULY 15 IS
THAT JANUARY TO JUNE SAW NO RELAXATION IN GDR'S

CURRENTLY STRAINED ECONOMIC SITUATION, AND THAT PERFORMANCE OF THE ECONOMY CONTINUES TO BE WEAKER THAN CONSIDERED DESIRABLE BY THE LEADERSHIP. WHILE MAIN INDICATORS TAKEN AT FACE VALUE ARE NOT BAD (NATIONAL INCOME UP 5 PERCENT, INDUSTRIAL PRODUCTION 5.2 PERCENT, INVESTMENT IN INDUSTRY 7 PERCENT), THEY ARE ALMOST ALL marginally BELOW TARGET ANNUAL RATES SET FOR 1978 AND THE REPORT SELDOM CLAIMS ABSOLUTE PLAN FULFILLMENT, BUT IS LIBERALLY STUDED WITH REFERENCES TO SUCCESSFUL FULFILLMENT OF VARIOUS ELEMENTS OF THE PLAN "OVERALL" OR "IN GENERAL." CRITICISM IS MADE OF THE UNSATISFACTORY PERFORMANCE OF SOME UNNAMED INDUSTRIAL ENTERPRISES, AS FOR EXAMPLE IN PRODUCTION OF INTERMEDIATE AND FINISHED INDUSTRIAL GOODS, IN ECONOMIZING ON MATERIALS USE, IN MEETING COST REDUCTION GOALS, AND IN INCREASING RATES OF UTILIZATION OF CRITICAL CAPITAL PLANT.

2. INVESTMENT, AN AREA IN WHICH THE 1978 PLAN ATTEMPTS TO APPLY THE BRAKES, IN PARTICULAR IN RESPECT TO NEW PLANT CONSTRUCTION, IS REPORTED UP 3.5 PERCENT IN FIRST-HALF 1978 COMPARED TO THE PLANNED RATE OF 2.1 PERCENT. THE RATE OF INCREASE OF INVESTMENT IN INDUSTRY TAKEN ALONE IS 7 PERCENT, AND IN SO-CALLED RATIONALIZATION INVESTMENT, I.E., NEW EQUIPMENT AND FACILITIES IN EXISTING PLANTS, THE INCREASE IS CONFIDENTIAL

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REPORTED AT 12 PERCENT. ALL IN ALL, AN APPARENTLY SATISFACTORY PERFORMANCE, ALTHOUGH THE REPORT ALSO REFERS TO DELAYS IN COMPLETION OF SOME PROJECTS OCCASIONED BY POOR PLANNING AND PROBLEMS WITH DELIVERIES OF MATERIALS AND EQUIPMENT.

3. IN RESPECT TO STANDARD OF LIVING INDICES, A CLEAR, IF SMALL, REDUCTION IN GROWTH RATES IS EVIDENT. AT 3.5 PERCENT, GROWTH OF THE POPULATION'S MONEY INCOME IS BELOW THE 4 PERCENT TARGET SET AND OFTEN EXCEEDED IN EVERY PLAN SINCE 1971. MONEY INCOME OF EMPLOYED PERSONS IS REPORTED UP 4.6 PERCENT, THE DIFFERENCE BETWEEN THAT FIGURE AND THE MONEY INCOME OF THE POPULATION OVERALL ACCOUNTED FOR BY PENSIONS AND SOCIAL WELFARE PAYMENTS, WHICH DID NOT RISE DURING THE PERIOD. RETAIL TRADE TURNOVER WAS UP 3.4 PERCENT, AGAIN LESS THAN THE 4 PERCENT ANNUAL TARGET RATE. WE ASSUME, HOWEVER, THAT THIS INDEX IS SUBJECT TO STRONG SEASONAL VARIATION, WITH THE SIX MONTHS TO COME PROBABLY PRODUCING HIGHER RETAIL SALES THAN THE PERIOD UNDER REVIEW.

4. OF NOTE IN THE REPORT'S TREATMENT OF AGRICULTURE IS STRESS LAID ON REPORTEDLY SUCCESSFUL EFFORTS TO INCREASE NUMBERS OF CATTLE, SWINE, AND SHEEP. IN THIS CONNECTION AS WELL AS IN CONNECTION WITH COMMENTS ON THE INCREASED AVAILABILITY OF VEGETABLES, PRIVATE EFFORTS OF COLLECTIVE FARMERS ARE PRAISED.

5. DISCUSSION OF FOREIGN TRADE IS VERY BRIEF AND CITES ONLY STATISTICS FOR EXPORTS, WHICH GREW BY 10 PERCENT OVER THE FIRST SIX MONTHS OF 1977. EXPORTS TO

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"SOCIALIST" COUNTRIES WERE REPORTED UP BY 11 PERCENT, WHILE EXPORTS TO DEVELOPING COUNTRIES CLIMBED 30 PERCENT. EXPORTS TO THE INDUSTRIALIZED WEST ALSO GREW BUT WERE "HAMPERED BY RESTRICTIONS AND OTHER ADMINISTRATIVE OBSTACLES."

6. IN A PECULIAR DEPARTURE FROM USUAL PRACTICE, APPARENTLY INTENDED TO BUILD A RECORD ON BASKET-III RELATED ISSUES, THE REPORT PROVIDES FIGURES ON TRAVEL TO AND FROM THE GDR IN THE FIRST HALF OF 1978 AS

FOLLOWS:

GDR VISITORS TO SOCIALIST COUNTRIES 3.5 MILLION
OF WHICH
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VISA FREE TRAVEL TO POLAND 1.3 MILLION
VISA FREE TRAVEL TO CZECHOSLOVAKIA 0.7 MILLION

SOCIALIST COUNTRY VISITORS TO GDR 3.0 MILLION
OF WHICH
FROM POLAND 1.9 MILLION
FROM CZECHOSLOVAKIA 0.7 MILLION

GDR VISITORS TO NON-SOCIALIST COUNTRIES 1.3 MILLION
OF WHICH
TO FEDERAL REPUBLIC 0.5 MILLION
TO WEST BERLIN 0.7 MILLION

NON-SOCIALIST COUNTRY VISITORS TO GDR 3.7 MILLION
OF WHICH
FROM FEDERAL REPUBLIC 1.7 MILLION
FROM WEST BERLIN 1.4 MILLION

TRANSIT VISITORS 9.8 MILLION

EMBASSY ASSUMES THAT VAST MAJORITY OF GDR VISITS TO
NON-SOCIALIST COUNTRIES WERE BY PENSIONERS.

7. FINALLY, THE REPORT COMMENTS FAVORABLY ON AN
INCREASE IN BIRTHS, "SUPPORTED BY SOCIO-POLITICAL
MEASURES," OF 5,900 OVER THE SAME PERIOD A YEAR
EARLIER TO 118,800. AMONG OTHER MISCELLANY IS THE
OBSERVATION THAT AVAILABILITY OF FISH WAS DOWN 9.9
PERCENT DUE TO FISHERY ZONES AND QUOTAS ESTABLISHED
BY FOREIGN COUNTRIES, AND A REFERENCE IN THE LAST
LINE OF THE REPORT AS CARRIED BY NEUES DEUTSCHLAND
TO THE EXHIBIT OF DRESDEN TREASURES IN THE UNITED
STATES AS EVIDENCE OF THE "GROWING INTERNATIONAL
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POWER OF ATTRACTION" OF GDR CULTURE AND ART.
BOLEN

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